

**EXHIBIT 27**

1  
2 IN THE UNITED STATES DISTRICT COURT  
3 FOR THE DISTRICT OF PUERTO RICO

4 \_\_\_\_\_x  
In re:  
5 THE FINANCIAL OVERSIGHT AND PROMESA  
6 MANAGEMENT BOARD FOR PUERTO  
RICO, Title III  
7 as representative of  
8 THE COMMONWEALTH OF PUERTO RICO,  
et al.,  
9 Debtors.

10 \_\_\_\_\_x  
In re:  
11 THE FINANCIAL OVERSIGHT AND  
12 MANAGEMENT BOARD OF PUERTO RICO,  
13 as representative of  
14 PUERTO RICO ELECTRIC POWER AUTHORITY,  
Debtor.

15 \_\_\_\_\_x  
16 \* P R O F E S S I O N A L E Y E S O N L Y \*

17 VIDEOTAPED DEPOSITION

18 OF

19 DAVID A. SKEEL

20 New York, New York

21 Tuesday, October 8, 2019  
22  
23

24 Reported by:  
ANNETTE ARLEQUIN, CCR, RPR, CRR, CLR  
25 JOB NO. 169101

D. Skeel - Professional Eyes Only

Q. But we're talking about July of this year. So you have no recollection of July of this year?

A. I don't. I mean, I have hundreds of messages every day.

Q. Speaking of messages -- you're talking about text messages?

A. Emails, phone calls, text messages.

Q. You have a hundred of those?

A. I have a hundred emails.

Q. Okay. What about text messages?

A. Less --

MS. DALE: What about it?

Objection.

MR. DESPINS: You can't have talking objections. State your objection and then the witness will answer.

MS. DALE: Objection to the form.  
BY MR. DESPINS:

Q. Tell me about your text messages.

MS. DALE: Objection.

A. I have text messages every day.

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Q. Between you and other members of the board?

A. Between me and various people. Sometimes other members of the board, sometimes not.

Q. And other members of the board, if I'm asking you to put aside Ana Matos Santos and Judge Gonzalez, do you have text messages with other members of the board other than those two?

A. Occasionally, yes.

Q. Regarding PREPA?

A. Possibly.

Q. And would it be fair to say board members communicate by text frequently among, you know, between each other?

MS. DALE: Objection.

A. I only know myself.

Q. Well, but you're not communicating with yourself. So you're communicating with other people?

A. I communicate with other board members, yes.

Q. By text?

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A. By text, by phone, by email.

Q. Okay. And what about other applications, meaning WhatsApp, that type of -- or Telegram, or things like that, do you guys communicate through that?

A. I do not use -- I don't use other applications.

Q. And other board members?

A. I don't know.

Q. Have you received text messages from other board members, again, other than Judge Gonzalez and Ana Matos Santos?

MS. DALE: Objection. Asked and answered.

You can answer it again.

A. Yes.

Q. Including regarding the RSA?

A. I don't remember specifics.

MR. DESPINS: Okay. Let's go to Tab 21.

(Skeel Exhibit 3, Email chain beginning with email dated 7/25/18 from Castiglioni to Brownstein and Skeel with attachments, Bates-stamped

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FOMB\_9019\_00006585 through 593, marked for identification, as of this date.)

BY MR. DESPINS:

Q. Tell me when you're ready.

A. I'm ready.

Q. Actually the question I'm going to ask you is not about that document yet. I just want to close one loop.

Syncora and National were added to the RSA in -- well, when were they added to the RSA? Do you remember?

A. I don't remember exactly.

Q. Would -- September of 2019 sounds right?

A. It's relatively recently.

Q. All right. So they were added after the date of the previous text messages that we were looking at?

A. I believe so.

Q. Okay. Was there a board meeting to approve the joining of National and Syncora to the RSA?

A. I don't remember if there was a final board meeting. We authorized trying

1 D. Skeel - Professional Eyes Only  
2 to bring them on board.

3 Q. You authorized trying to bring  
4 them on board, but you don't know if there  
5 was a vote on it?

6 A. I don't remember one way or the  
7 other.

8 Q. Well, this would have been in  
9 September. We're in October of 2019 now.

10 A. I have age-appropriate memory  
11 unfortunately. I don't specifically  
12 remember. If I could go back through our  
13 calls, I could -- I'm sure I could refresh  
14 my recollection.

15 Q. Okay. Going back to the document  
16 you have in front of you now. So this is  
17 Bates-stamped, again, FOMB 6885, 6886.

18 A. Wait a second.

19 MS. DALE: It's 6585 to 6593.

20 THE WITNESS: That's what I have.

21 MR. DESPINS: Oh, I'm sorry. It  
22 keeps going. Sorry.

23 (Document review.)

24 MS. DALE: Is that what you have?

25 THE WITNESS: Yes. I have what

1 D. Skeel - Professional Eyes Only  
2 you have.

3 (Document review.)

4 MR. DESPINS: Sorry. Let's  
5 restate that. Bates stamps numbers  
6 6885 through 6593.

7 MS. DALE: Luc, I think you're  
8 just misstating the number on the  
9 bottom, sir. It's 6585.

10 MR. DESPINS: Yeah, 6585. I'm  
11 sorry.

12 MS. DALE: You were saying 6885.

13 MR. DESPINS: Okay. I'm sorry.  
14 To 6583, right?

15 A. Wait.

16 (Document review.)

17 A. Yes, that's what I have.

18 Q. Look at 6586 at the bottom there.  
19 Let's establish the date. Sorry.

20 The date is -- this is taking place in July  
21 of 2018 this time?

22 A. That's correct.

23 Q. Okay. And if you look at the  
24 July 25th, 2018, 9:02 a.m. email -- or, I'm  
25 sorry, 8:58 a.m. email from yourself to

1 D. Skeel - Professional Eyes Only  
2 Mr. Brownstein, there is a reference here  
3 to, "I'm a tad queazy about the numbers  
4 discussed on Friday's call, which I missed  
5 as you may remember, given the implied  
6 potential payout."

7 What was the implied potential  
8 payout?

9 A. What generally or what  
10 specifically?

11 Q. No, for the bondholders.

12 A. I don't remember the exact  
13 number.

14 Q. So you have no sense of was it 50  
15 percent, 100 percent, 80 percent?

16 A. I don't remember exactly. It was  
17 in the 70 to 80 percent, I believe.

18 Q. Okay. But you said you were a  
19 "tad queazy" about these numbers.

20 What did you mean by that?

21 A. What I meant was we're getting  
22 closer to -- we're getting higher into the  
23 range of reasonableness, in my view. And  
24 it was my way of nudging Citi to bargain  
25 hard.

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2 Q. So what is the upper range of  
3 reasonableness in your view?

4 A. I don't have a specific number.  
5 It would depend on all of the features of  
6 the deal.

7 Q. Yeah, but when you sent that  
8 email, you knew what the features of the  
9 deal were, right, the other features of the  
10 deal?

11 A. I knew what they were at that  
12 time.

13 Q. Okay. But you were focusing on  
14 the percentage recovery to the holders,  
15 correct?

16 A. That was one thing I was focusing  
17 on. I was focusing on other things as  
18 well.

19 Q. Understood.

20 And you just mentioned a few  
21 percentages, you know, a minute ago, 75, 80  
22 percent or something like that.

23 So given that you knew what the  
24 other elements of the deal were, what was  
25 your view about the percentage?

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A. I said that the percentages that we were talking about were moving up into the upper ranges of my comfort zone.

Q. Which was?

A. I didn't -- I don't have a specific number in mind. If it was 100 percent, I wouldn't be happy.

Q. Okay. How about 90 percent?

A. I probably wouldn't be happy with that either, but it would depend on what all the features of the deal were.

Q. But as I said, you knew the other features of the deal at this point, right?

A. I knew many of the features of the deal.

Q. Okay. And how about 85 percent?

A. I don't know what exact number I had in mind. This was below 85 percent.

Q. Okay. So let me ask the question: What do you think the percentage recovery is under the preliminary RSA?

A. The maximum percentage recovery is in the range of 77.5 percent.

Q. Okay. And what is it under the

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current RSA?

A. The current, it's in the same general range. I forget exactly. I think basically the same.

Q. Did you ever see in the presentations from Citibank those types of percentage recoveries? I'm not asking you precisely what the percent recovery was, but whether you saw reports from Citibank that would show you percentage recoveries for the bondholders?

A. I believe we saw estimated percentage recoveries, yes.

Q. And they were consistent with the numbers you just gave us?

A. In the final numbers, yes.

Q. Did anybody else, other than you, on the board raise issues regarding the percentage recovery?

A. I don't remember. Probably. We had lots and lots of conversations.

Q. By the way, at the time of the approval of the preliminary RSA, we're talking about late July 2018, was Elias

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Sanchez still a representative on the board? Or I forget his precise title, but was he still the governor's representative on the board at that time?

A. No, he was not.

Q. Did any other member of the board express concerns regarding the preliminary RSA before its approval?

MS. DALE: Objection. Asked and answered.

You can answer it again.

A. At some point before approval, I suspect people raised issues. I don't remember. I don't remember specific board members raising specific issues. But as I said, there were many, many conversations.

Q. Why was the percentage recovery a factor that you were focusing on?

A. My general perspective is PREPA is essential to Puerto Rico's recovery, and I wanted to make sure, to the extent I could, that PREPA only enters into deals that are sustainable.

Q. So your focus on the percentage

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recovery was not driven by the potential challenges to the bondholders' legal entitlement?

MS. DALE: Objection.

A. It was driven by many factors. That's one. Legal factors are one. Sustainability is one.

Q. Did you develop a view outside of advice received from counsel regarding the legal challenges to the bondholders' claims?

A. I don't think I can disentangle those two. We were getting legal advice throughout, and that was shaping what I was thinking.

Q. A minute ago you talked about -- you referred to the concept of sustainability or sustainable? You said that PREPA only enters into deals that are sustainable.

Do you remember that?

A. Yes.

Q. What did you mean by that?

A. I mean deals PREPA can afford to

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2 pay through time so it can be fully  
3 rehabilitated.

4 Q. From your point of view, was that  
5 more important than the discount to reflect  
6 legal uncertainties?

7 MS. DALE: Objection to the form.

8 A. Yeah, I don't understand.

9 Q. Okay. You mentioned -- we were  
10 discussing two factors. The first is the  
11 challenge to the bondholders' legal  
12 entitlement.

13 Do you understand what we mean by  
14 that?

15 A. Yes.

16 Q. And then you talked about  
17 sustainability for PREPA of the RSA, the  
18 ability to sustain these payments.

19 Which one of those two is the  
20 most important, in your opinion?

21 MS. DALE: Objection.

22 A. They're both important. They're  
23 both -- they define the range of the  
24 possible.

25 Q. The range of reasonableness or

1 D. Skeel - Professional Eyes Only  
2 the range of possible? I'm not sure I  
3 understand.

4 A. Can you ask -- I'm not  
5 understanding your question.

6 Q. When you say it "defines the  
7 range of the possible," what does that  
8 mean?

9 A. I'm still not really  
10 understanding your question.

11 Q. These are the words you used.

12 What did you mean when you said  
13 "the range of the possible"?

14 A. When we're negotiating a Title  
15 III, we have to -- we're trying to  
16 restructure the debt to make it  
17 sustainable, but we're confined by what the  
18 creditors' legal entitlements are. And  
19 those are a couple of key factors that go  
20 into the decision-making process.

21 Q. If the transition charge were not  
22 sustainable, again your words, would you  
23 have approved the RSA?

24 MS. DALE: Objection to form.  
25 Calls for speculation.

1 D. Skeel - Professional Eyes Only  
2 A. Certainly sustainability of the  
3 transition charge is a key factor.

4 Q. Were there any studies done of  
5 the sustainability of the issue we just  
6 talked about?

7 You mentioned sustainable. Were  
8 there any -- did you get any reports from  
9 anyone regarding that issue of  
10 sustainability?

11 A. We got regular reports about  
12 projected costs for PREPA. And in a sense,  
13 that -- those are connected. So what  
14 electricity is going to cost. The fiscal  
15 plans make projections about what  
16 electricity will cost likely under various  
17 scenarios.

18 Q. And what is the cost of  
19 electricity today, ballpark, in Puerto  
20 Rico?

21 A. Right now, I believe it's in the  
22 22 cents a kilowatt-hour range.

23 Q. And what does the board project  
24 it will be in the next few years?

25 A. Current projections range from

1 D. Skeel - Professional Eyes Only  
2 about 22 to 25 or 26, is my recollection.

3 Q. Excluding the charge?

4 A. I believe including the charge,  
5 yeah.

6 Q. Including the charge. Thank you  
7 for clarifying that.

8 Do you have a sense of at what  
9 point the price per kilowatt-hour becomes  
10 unsustainable?

11 A. We get projections about that  
12 from our advisers.

13 Q. But I'm asking you what is your  
14 sense of --

15 A. I don't have, sitting here, a  
16 particular number in mind.

17 MS. DALE: Luc, when it's  
18 convenient, can we just take a  
19 five-minute break?

20 MR. DESPINS: Sure. Sure.

21 MS. DALE: Now?

22 MR. DESPINS: Hold on a second.

23 Yes, sure. Let's take a break.

24 THE VIDEOGRAPHER: The time is  
25 11:13. We are going off the record.



D. Skeel - Professional Eyes Only  
(Document review.)

A. Okay.

Q. Just to identify the document, FOMB 1148 and 1149. I think I got that right this time. And this is an email from David Brownstein to, it looks like, all board members, dated Friday, July 27, 2018, correct?

A. Correct. I will start paying attention to the year.

Q. So will I.  
(Laughter.)

Q. In the fourth paragraph -- I'm sorry, the fifth paragraph, it says, "The first relates to post-petition interest. Proskauer wanted to make sure that you were comfortable with the fact that we have structured the agreement with the ad hocs to pay post-petition interest at settlement."

Did you have a chance to review that, that language this paragraph?

A. If you can give me a minute, I'll read the whole paragraph.

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Q. Yes.

(Document review.)

A. Okay.

Q. So why was this important to mention post-petition interest?

MS. DALE: Objection to the form.

BY MR. DESPINS:

Q. In your view?

A. I don't know. I mean, it's a term of the RSA.

Q. Okay. Were you aware when you approved this in July 2018 that the board had taken the position that the bondholders were undersecured on the petition date?

A. I was aware that there were potential legal challenges to the secured status, yes.

Q. No, but I'm asking you whether were aware that the board had taken that position in court?

A. I believe so, yes.

Q. Okay. And since you have some bankruptcy background, what is the link between being undersecured on the petition

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date in the issue of post-petition interest in your mind?

MS. DALE: Objection. Calls for a legal conclusion. Speculation.

You're not an expert here.

A. It is a legal issue, obviously.

Q. I understand that, but your -- I'm asking you what your understanding of that is as a law professor on bankruptcy issues.

MS. DALE: And I'm reasserting my objections to this to this line of questioning of a fact witness.

BY MR. DESPINS:

Q. You can answer.

A. Can you reask the question?

Q. What is the link between creditors being undersecured on the petition date and the issue of entitlement to post-petition interest?

MS. DALE: Objection.

A. If -- my understanding is, if a creditor is undersecured, they are not entitled to post-petition interest. If

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they are oversecured, they are.

Q. Okay. And this email at the end says something like, "Since we have a deadline of 3:00 p.m. today, we wanted to bring this to your attention now and would appreciate receiving feedback as soon as possible."

Do you recall yourself providing feedback on this issue?

A. I don't remember.

Q. And you recall anyone providing feedback on this issue?

A. I don't remember that either.

Q. And do you see the sentence that says, in the same paragraph that I asked you to look at that says, "This has been the case on all of the special revenue bonds restructured in municipal market," citing a bunch of cases?

What is the legal relevance of that to the entitlement to post-petition interest?

MS. DALE: Objection. Now you're explicitly calling for a legal

1 D. Skeel - Professional Eyes Only  
2 conclusion from this fact witness.  
3 BY MR. DESPINS:  
4 Q. You can answer.  
5 A. I don't know.  
6 Q. Do you have a sense of the  
7 magnitude of the post-petition interest  
8 that is being awarded to the bondholders  
9 under the RSA?  
10 A. What do you mean by "magnitude"?  
11 Q. Magnitude, size, amount.  
12 A. I don't. I know they are -- they  
13 will be receiving interest on their  
14 restructured bonds on the 67.5.  
15 Q. No, I'm not asking you that.  
16 I'm asking you under the RSA, do  
17 you understand that the bondholders are  
18 entitled to -- are being given an  
19 entitlement to post-petition interest?  
20 I'm not talking about  
21 post-reorganization interest, I'm talking  
22 about post-petition interest from the  
23 petition date until May of 2019.  
24 Do you understand that?  
25 A. Yes, I do.

1 D. Skeel - Professional Eyes Only  
2 MS. DALE: Objection.  
3 A. The question is the interest as  
4 compared to the principal?  
5 Q. No, the interest as opposed to  
6 other benefits they are receiving under the  
7 RSA, such as settlement payments, fees, et  
8 cetera. If you compare those two, one is  
9 bigger than the other? Same size?  
10 Smaller? Do you have any sense?  
11 A. It depends on the time frame of  
12 the settlement payments, and the  
13 administrative expense can go on for a  
14 while. I don't know.  
15 Q. You don't know.  
16 Before seeing this email today,  
17 did you know that there they were getting  
18 post-petition interest under the RSA?  
19 A. Yes, I did, certainly at the time  
20 for sure.  
21 Q. But this email was sent, I think,  
22 at 10:35 on a Friday, and it called for a  
23 response by 3:00 p.m. that day.  
24 Did you know before receiving  
25 this email that that was a feature of the

1 D. Skeel - Professional Eyes Only  
2 MS. DALE: Objection to form.  
3 BY MR. DESPINS:  
4 Q. And do you know what is the  
5 magnitude of that payment, the size of that  
6 payment, ballpark?  
7 A. I don't remember.  
8 Q. 20 million? 100? 200?  
9 A. I don't know. If you put a  
10 document in front of me, I could see the  
11 number, I'm sure.  
12 Q. You don't think that  
13 understanding the size of that claim, given  
14 what we've just been through regarding the  
15 entitlement to post-petition interest, is  
16 critical?  
17 MS. DALE: Objection. Misstates  
18 his testimony.  
19 A. Sitting here now, I don't  
20 remember what the dollar amount is.  
21 Q. Do you have a sense of -- would  
22 you compare it to other things that --  
23 other claims or other payments that are  
24 receiving under the RSA, how does that  
25 amount compare, larger or smaller?

1 D. Skeel - Professional Eyes Only  
2 transaction?  
3 A. My recollection is that feature  
4 was in pretty much from the beginning.  
5 That we had multiple presentations that had  
6 the interest included.  
7 Q. And how did you get comfortable  
8 that it was appropriate to include that  
9 interest?  
10 A. The ad hoc group was arguing they  
11 were entitled to 100 cents on the dollar,  
12 plus interest throughout, and that was one  
13 of the issues of dispute.  
14 Q. But you know the fuel line  
15 lenders -- do you know who they are, the  
16 fuel line lenders? Do you know what I'm  
17 talking about?  
18 A. Yes, I do.  
19 Q. Okay. You know they are claiming  
20 to be entitled to 100 cents on the dollar  
21 as well, right?  
22 A. Yes, I do.  
23 Q. So why are they not getting  
24 post-petition interest?  
25 MS. DALE: Objection to the form



1 D. Skeel - Professional Eyes Only  
2 of the question.

3 Again, to the extent that  
4 anything -- your answer would implicate  
5 legal advice that you've received, you  
6 have to not -- you cannot disclose  
7 that.

8 A. I would just say they're  
9 different creditors with different claims.

10 Q. But you as a bankruptcy professor  
11 have a sense of an undersecured creditor's  
12 entitlement to receive post-petition  
13 interest?

14 MS. DALE: Objection.

15 A. I have a sense of an undersecured  
16 creditors and a sense of an oversecured  
17 creditors. Different rights with respect  
18 to interest, yes.

19 Q. And you see at the end of that  
20 paragraph, do you see where it says, "As  
21 you may recall, with respect to the  
22 re-lending bonds..."

23 Do you see that sentence?

24 A. Yes, I do.

25 Q. Does that confirm your earlier

1 D. Skeel - Professional Eyes Only

2 testimony that they're getting 100 cents on  
3 the dollar?

4 MS. DALE: Objection to the form.

5 Misstates his testimony.

6 A. This is just saying what their  
7 treatment is. It isn't going into the  
8 bases for the treatment.

9 Q. No, I'm not asking what the bases  
10 is.

11 But it says, "We're also agreeing  
12 to transfer them over to the securitization  
13 bonds at par plus accrued."

14 What does "par plus accrued" mean  
15 to you?

16 A. To me, that means full payment  
17 plus accrued interest.

18 Q. Okay. So you testified before  
19 that you would not feel comfortable with  
20 bondholders getting 100 cents on the  
21 dollar? I thought you said something like  
22 that.

23 A. I will say I would not feel  
24 comfortable with bondholders getting 100  
25 cents -- these bondholders with these

1 D. Skeel - Professional Eyes Only  
2 entitlements getting 100 cents on the  
3 dollar.

4 Q. But some of them are?

5 A. Not for their full claims.

6 Q. Explain that.

7 A. The ad hoc bondholders are not  
8 getting paid 100 cents on the dollar.

9 Q. Oh, so you think the re-lending  
10 bondholders are not ad hoc bondholders?

11 A. That's my point is that the ad  
12 hoc bondholders are -- they're the subject  
13 of the preliminary RSA. So maybe what I  
14 should say is can you be more specific  
15 about who you're talking about?

16 Q. Well, I'm talking about who  
17 Brownstein is talking about. He's talking  
18 about the re-lending bonds. And you seemed  
19 to understand who they were before when we  
20 talked, you know, earlier this morning.

21 A. So you're separating them from  
22 the ad hoc general bond claims? You're  
23 talking just about re-lending bonds?

24 Q. Well, and this question is  
25 directed at that. The re-lending bonds are

1 D. Skeel - Professional Eyes Only  
2 apparently getting 100 cents on the dollar.

3 Are you comfortable with that?

4 A. I am comfortable with that.

5 Q. And why is that?

6 A. Their payout -- they have an  
7 argument -- their legal argument's about  
8 priority, but they also are being paid for  
9 supporting the plan and for waiving rights  
10 they might otherwise be pursuing.

11 Q. What other rights could they have  
12 other than getting paid in full?

13 A. Rights to object in the Title  
14 III, rights to -- well, I'll just stop  
15 there.

16 Q. But the ad hocs are also waiving  
17 those rights, right? They're agreeing not  
18 to object. They're agreeing to the same  
19 things the re-lending bonds are doing,  
20 correct?

21 A. Yes, I think that's correct.

22 Q. Okay. So what is the distinction  
23 between those two groups?

24 A. I think it's a legal issue that  
25 I'll just leave there. I mean, our legal

1 D. Skeel - Professional Eyes Only  
2 reflected in that bill in 2021?

3 MS. DALE: Objection. Calls for  
4 speculation.

5 A. It would depend on who is paying  
6 for those billions of dollars.

7 Q. But if the Federal Government  
8 doesn't pay for them, then it would be on  
9 that bill?

10 MS. DALE: Same objection.

11 A. It would potentially affect the  
12 bill, yes.

13 Q. Okay. So how do you know,  
14 sitting here today, that that bill in 2021  
15 will be sustainable for Puerto Rico?

16 MS. DALE: Objection.

17 A. I don't know. All I know is what  
18 we project and what looks like it will be  
19 sustainable.

20 Q. What about other creditors? You  
21 know, we've talked about the bondholders  
22 for a while now.

23 Do you know if PREPA has other  
24 creditors besides the bondholders?

25 A. My understanding is, yes, they do

1 D. Skeel - Professional Eyes Only  
2 have other creditors.

3 Q. Such as?

4 A. Such as fuel line lenders.

5 Q. And how much are they owed,  
6 ballpark? Do you know?

7 A. Ballpark, 700 million dollars.

8 Q. And other creditors, other than  
9 the fuel line lenders?

10 A. There are unsecured creditors as  
11 general unsecured creditors. I don't know  
12 the magnitude.

13 Q. So when you approved this  
14 transaction, was there any reference to the  
15 money owed to the fuel line lenders or to  
16 the unsecured creditors?

17 A. There would have been references,  
18 yes.

19 Q. So we would find that in the  
20 presentations?

21 A. Not necessarily. But as point of  
22 fact, I think there are some references in  
23 the presentations.

24 Q. And what do they say about those  
25 creditors?

1 D. Skeel - Professional Eyes Only

2 A. There are references to the fuel  
3 line lenders, and the assumptions about  
4 them shift from one presentation to the  
5 next.

6 Q. Shift in terms of the size of the  
7 fuel line lenders or?

8 A. Shift in terms of scenarios,  
9 scenario payouts.

10 Q. If these people, just to take the  
11 fuel line lenders, get a payout, again,  
12 that doesn't come from God, right? It  
13 needs to come from PREPA. And PREPA is  
14 going to charge its customers for that  
15 somehow --

16 MS. DALE: Objection.

17 BY MR. DESPINS:

18 Q. -- correct?

19 MS. DALE: Calls for speculation.

20 A. Presumably, yes.

21 Q. Okay. And same thing for  
22 unsecured creditors, if there are payouts  
23 to unsecured creditors, somehow that's  
24 going to have to be paid for by PREPA and  
25 therefore passed on to its customers?

1 D. Skeel - Professional Eyes Only

2 MS. DALE: Same objection.

3 A. Presumably, yes.

4 Q. But what work did the board do in  
5 -- when approving the RSA in terms of  
6 determining feasibility of dealing with  
7 these other charges; the operating charges  
8 with or without federal funding, the fuel  
9 line lenders, the unsecured creditors, the  
10 pensions?

11 MS. DALE: Objection.

12 MR. BEREZIN: Objection.

13 BY MR. DESPINS:

14 Q. Take us through the process.

15 MS. DALE: Objection to the form.

16 A. What process am I taking you  
17 through?

18 Q. The board approved the RSA,  
19 correct?

20 A. Correct.

21 Q. And you told me that there was a  
22 discussion, at least, or references in  
23 terms of other creditors, not bondholders,  
24 so fuel line lenders, unsecured creditor.  
25 We didn't talk about pensions. I assume

1 D. Skeel - Professional Eyes Only  
2 pension was discussed as well?  
3 MR. BEREZIN: Objection to form.  
4 BY MR. DESPINS:

5 Q. Right?

6 A. The RSA itself was focusing on  
7 the participants, primarily on the  
8 participants of -- in the RSA. There is  
9 discussion of some of these other factors  
10 around the fiscal plan. The fiscal plan  
11 has estimates of operating expenses and  
12 things of that sort.

13 Q. But it doesn't talk about  
14 unsecured creditors, does it?

15 A. I don't believe it talks about  
16 unsecured creditors.

17 Q. Okay. And you're familiar with  
18 the concept of plan feasibility generally?

19 A. I am familiar with plan  
20 feasibility.

21 Q. So sitting here today, do you  
22 have a view about feasibility of a plan for  
23 PREPA, a plan of adjustment for PREPA?

24 MS. DALE: Objection to the form.

25 A. I'd have to see the plan. I

1 D. Skeel - Professional Eyes Only  
2 would have to see the plan.

3 Q. She liked that answer better than  
4 her interruption.

5 So you would have to see the  
6 plan.

7 And therefore, sitting here  
8 today, you can't opine on that? You can't  
9 have a view on that?

10 A. I forget what it is I'm having a  
11 view on.

12 Q. Feasibility of a plan of  
13 adjustment for PREPA.

14 A. I would need to see the plan.

15 Q. Okay. Let's talk about the T&D  
16 transformation. I think you listed one of  
17 the benefits of the RSA that it could --  
18 sorry, I can't even read my own writing.  
19 It can be helpful to the T&D process  
20 generally. It's not precisely what you  
21 said, but something like that.

22 MS. DALE: Objection to the form.  
23 It misstates the testimony.

24 BY MR. DESPINS:

25 Q. Okay. Well, then, you understand

1 D. Skeel - Professional Eyes Only  
2 what I was referring to. Why don't you say  
3 it in your own words.

4 MS. DALE: Objection. No  
5 question pending there.

6 A. I believe that the RSA could help  
7 facilitate a -- the transformation.

8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]  
24 [REDACTED]  
25 [REDACTED]

1 D. Skeel - Professional Eyes Only

2 [REDACTED]  
3 [REDACTED]  
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23 [REDACTED]  
24 [REDACTED]  
25 [REDACTED]

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20 Q. Have you quantified the  
21 difference between what you're giving the  
22 bondholders and the total amount of their  
23 claims as it would translate into a  
24 kilowatt per hour charge?

25 MS. DALE: Objection to form.

1 D. Skeel - Professional Eyes Only  
2 BY MR. DESPINS:

3 Q. Do you want me to break that  
4 down?

5 A. Yes, please.

6 Q. All right. So right now, you're  
7 offering them X, that is, the RSA. And you  
8 know what that is. You have a kilowatt per  
9 hour charge there, right? There is a cap?

10 A. Right.

11 Q. Okay. Have you ever seen an  
12 analysis that shows the difference between  
13 that amount, that charge, and what the  
14 charge would need to be if we were going to  
15 pay the bondholders in full?

16 A. I believe I have seen those  
17 comparisons.

18 Q. Okay. And can you share that  
19 with me?

20 A. The charge is more and the  
21 potential downside is significant, the  
22 possibility of the charge mushrooming.

23 Q. Well, I was asking you what the  
24 charge is to pay them in full. So if  
25 that's the charge, it's not going to

1 D. Skeel - Professional Eyes Only  
2 mushroom. That is the charge.

3 Have you ever seen that figure?

4 MS. HELSTEAD: Objection. Form.

5 A. I am not sure whether I have or  
6 not, that particular figure.

7 Q. Okay. Do you think it would be  
8 two cents more, three cents more, ten cents  
9 more? Do you have any sense?

10 MS. DALE: Objection to the form.

11 A. I don't remember.

12 Q. So when you say that it could  
13 have a significant cost because the  
14 operators will not know what the charge is,  
15 what do you base that on?

16 MS. DALE: Objection to the form.

17 A. What I am thinking about is  
18 presentations I have seen of the potential  
19 shifts in the amount of the transition  
20 charge under both the bonds, just the bonds  
21 assuming full payment and under the  
22 pre-Title III RSA. And those transition  
23 charges were not capped.

24 Q. No, I understand they were not  
25 capped, but did they reflect the full

1 D. Skeel - Professional Eyes Only  
2 amount?

3 A. I believe I saw presentations  
4 that reflected the full amount, yes.

5 Q. And is that what you believe  
6 would happen if this RSA transaction is not  
7 approved, the board litigates with the  
8 bondholders, the board loses that  
9 litigation, that they would get their -- a  
10 full charge for the repayment in full of  
11 their bonds?

12 A. They have taken the position that  
13 they are entitled to full payment, plus  
14 interest throughout.

15 Q. I understand that's their  
16 position. That's my position too.

17 What's your view of whether  
18 that's going to happen?

19 MS. DALE: Objection. Calls for  
20 a legal conclusion.

21 Please do not discuss any  
22 information that you might have  
23 received from your counsel. If you can  
24 disentangle, you know, just counsel's  
25 communications to you on this point, go

1 D. Skeel - Professional Eyes Only  
2 ahead.

3 A. Yeah, I was about to say I didn't  
4 think that was your position.

5 Q. No, no, it's my position as to my  
6 claims that I should be paid in full as  
7 well.

8 A. But not your position as to the  
9 unsecured creditors' claims.

10 Q. No, no. That's what I meant.

11 A. It may show up somewhere else.

12 Q. So --

13 MS. DALE: Does everybody want to  
14 clarify the record?

15 (Laughter.)

16 BY MR. DESPINS:

17 Q. But there was a question pending.

18 So my question was, what do you  
19 believe occurs if there's no RSA, the board  
20 litigates with the bondholders, they  
21 prevail, and what do you think happens at  
22 that point to the kilowatt her hour rates  
23 charged to customers?

24 MS. DALE: Same objections.

25 A. If all that happens, I believe

1 D. Skeel - Professional Eyes Only  
2 they end up going up.

3 Q. For the full amount that's owed  
4 to the bondholders?

5 A. Correct.

6 Q. Okay. And the analyses you've  
7 seen reflect that? Meaning, some of the  
8 scenarios you've seen that were represented  
9 to you reflect that scenario?

10 A. Yes.

11 Q. Okay. And do you know if rate  
12 increases need to be approved by a  
13 regulator in Puerto Rico?

14 A. I believe they do, yes.

15 Q. Okay. And do you believe that  
16 regulatory would increase the rates full  
17 tilt to pay the bondholders in full?

18 MS. DALE: Objection.

19 A. Again, I don't know.

20 Q. Don't you think that that's a  
21 critical part of the analysis when you look  
22 at the scenario we've been discussing?

23 MS. DALE: Objection.

24 A. There are a variety of elements  
25 that matter a lot. That matters. The rate

1 D. Skeel - Professional Eyes Only  
2 covenant in the bond indenture also  
3 matters.

4 Q. So tell me about the rate  
5 covenants.

6 How do you think that's relevant?

7 A. Because if the bonds went back to  
8 their original status quo, they have a  
9 right to seek a receiver and to ask for  
10 rate increases to pay them.

11 Q. Well, that's if they're  
12 unimpaired on their plan.

13 But you don't think that --

14 A. You just said the premise of this  
15 question was --

16 Q. No.

17 A. -- that they get everything they  
18 asked for.

19 Q. No. The premise was, you  
20 litigate with them and you lose the issue  
21 of whether -- of the scope of their  
22 security interest and all that.

23 And so the question I have for  
24 you is, you're not under the impression  
25 that their rate covenant and the

1 D. Skeel - Professional Eyes Only  
2 receivership covenants somehow would ride  
3 through Chapter 11, are you?

4 MS. DALE: Objection.

5 A. No.

6 MR. HAMERMAN: Objection.

7 A. You premised the question on them  
8 getting everything they asked for. So if  
9 they got everything they asked for, they  
10 would get that too.

11 You can change your premise.

12 Q. No, the premise was the  
13 litigation regarding the scope and the  
14 extent of the security interest. And if we  
15 lose that litigation, what happens then?

16 A. They get paid in full, plus  
17 interest.

18 Q. Because you think the PREB would  
19 increase the rates as necessary to pay them  
20 in full?

21 A. I am not speculating about what  
22 PREB would do.

23 Q. Well, you are if you're saying  
24 they're getting paid in full.

25 You're saying PREB would increase

1 D. Skeel - Professional Eyes Only  
2 the rates?

3 A. I'm saying they -- if the lien  
4 challenge litigation were unsuccessful,  
5 they would have an entitlement to 100 cents  
6 on the dollar, plus interest, and I'm not  
7 speculating as to whether and how they  
8 would get that.

1 D. Skeel - Professional Eyes Only  
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11 MR. DESPINS: Can we take a  
12 ten-minute break -- oh, actually, it's  
13 1. Should we take a lunch break? I  
14 didn't realize it was that late.

15 MS. DALE: Let's just go off the  
16 record.

17 THE VIDEOGRAPHER: The time is  
18 12:51 p.m. Going off the record.  
19 (Recess is taken.)  
20  
21  
22  
23  
24  
25

1 D. Skeel - Professional Eyes Only  
2 A F T E R N O O N S E S S I O N  
3 (Time noted: 1:27 p.m.)  
4 \* \* \*

5 D A V I D S K E E L, J.R., resumed and  
6 testified as follows:  
7 (Skeel Exhibit 6, Email dated  
8 5/6/19 from Concannon to Winton and  
9 others, Bates-stamped AHG-0004401,  
10 marked for identification, as of this  
11 date.)

12 THE VIDEOGRAPHER: The time is  
13 1:27 p.m. We are on the record.  
14 EXAMINATION BY (Cont'd.)

15 MR. DESPINS:

16 Q. Okay. Professor Skeel, you have  
17 Exhibit 6 before you. For the record,  
18 AHG4401, email from Kevin Concannon, sent  
19 on May 6, 2019, to James Winton at  
20 Citi.com.

21 Did you get a chance to review  
22 this?

23 A. I haven't yet. Can I -- I mean,  
24 I had started to.

25 Q. Go ahead.



1 D. Skeel - Professional Eyes Only  
2 (Document review.)  
3 A. Okay.  
4 Q. So what does this refer to?  
5 A. It looks like -- it's referring  
6 to a sale of some bonds.  
7 Q. PREPA bonds, correct?  
8 A. Correct.  
9 Q. By whom to whom?  
10 A. By Angelo Gordon to Citigroup.  
11 Q. Have you ever heard of this  
12 transaction or any similar transactions  
13 before today?  
14 A. I am not familiar with this  
15 transaction.  
16 Q. Or any similar transactions?  
17 A. Or any similar transactions.  
18 Q. Okay. But that's something that  
19 you're going to look into or?  
20 MS. DALE: Objection.  
21 A. I will take note of it, yes.  
22 Q. Okay. Going back to the  
23 Brownstein declaration, paragraph --  
24 MS. DALE: 5.  
25 THE WITNESS: Thanks.

1 D. Skeel - Professional Eyes Only  
2 sidelines until plan confirmation.  
3 And is your understanding that  
4 they are receiving payments or claims to  
5 compensate them for that or to incentivize  
6 them to do that?  
7 A. Yes. This paragraph doesn't say  
8 that, but that is my understanding.  
9 Q. Okay. So, again, you are a  
10 bankruptcy professor.  
11 Do you know of that standard as a  
12 basis to pay creditors pre-confirmation of  
13 a plan?  
14 MS. DALE: Objection to the form.  
15 Outside the scope. Seeking -- it's  
16 speculative, potentially seeking a  
17 legal conclusion.  
18 A. Can you reask the question?  
19 Q. So the question is, is that a  
20 legal basis to be receiving pre-plan  
21 confirmation distributions?  
22 MS. DALE: Same objections.  
23 A. And I'm not sure what you mean,  
24 is that a legal basis.  
25 Q. The fact that you have to wait

1 D. Skeel - Professional Eyes Only  
2 BY MR. DESPINS:  
3 Q. -- 29, if you could read that and  
4 let me know when you're ready.  
5 MS. DALE: Page 11.  
6 THE WITNESS: Thank you.  
7 (Document review.)  
8 BY MR. DESPINS:  
9 Q. So you see there is a reference  
10 to supporting holders having to stay  
11 patiently on the sidelines and wait until  
12 the effective date of the confirmed plan  
13 before receiving the new securitization  
14 bonds.  
15 Do you see the reference to that?  
16 A. Yes, I do.  
17 Q. And do you understand that is the  
18 basis pursuant to which these supporting  
19 holders are receiving some form of  
20 consideration under the RSA?  
21 MS. DALE: Objection to the form  
22 of the question.  
23 A. I'm not following the question.  
24 Q. Okay. So basically, according to  
25 Mr. Brownstein, they have to wait on the

1 D. Skeel - Professional Eyes Only  
2 until confirmation to get paid, is that a  
3 legal basis to award pre-plan confirmation  
4 distributions to creditors?  
5 MS. DALE: Objection. Seeks a  
6 legal conclusion. Speculative.  
7 A. It seems to me that that might be  
8 a factor you would take into account.  
9 Q. But I'm talking from a legal  
10 point of view.  
11 Let me ask you this: Are  
12 creditors, in your understanding, entitled  
13 to receive pre-plan distributions in  
14 bankruptcy --  
15 MS. DALE: Objection. Calling  
16 for a legal conclusion.  
17 BY MR. DESPINS:  
18 Q. -- generally.  
19 MS. DALE: Speculative. Outside  
20 the scope of this deposition.  
21 A. It depends on what you're talking  
22 about. If they are oversecured, they are  
23 entitled to receive interest payments.  
24 Q. Prior to confirmation?  
25 A. That varies by impression, but I

1 D. Skeel - Professional Eyes Only  
2 don't know. I don't know when they get  
3 them.

4 Q. Okay. Other than that,  
5 oversecured, do you know any other basis to  
6 make payments, pre-confirmation payments to  
7 creditors in a bankruptcy case?

8 MS. DALE: Same set of  
9 objections.

10 A. Not that I can think of sitting  
11 here right now.

12 Q. Okay. Let's talk about the legal  
13 issues that are being settled here in the  
14 RSA.

15 Did you ever see -- I'm not  
16 asking you what it said, but did you ever  
17 see a probabilistic analysis, and by that,  
18 I mean a percentage of this issue, we have  
19 a 50 percent chance of winning; this issue,  
20 we have a 80 percent chance of winning; or  
21 anything of the sort before approving the  
22 RSA?

23 MS. DALE: You can answer that  
24 "yes" or "no."

25 A. No, not a probabilistic --

1 D. Skeel - Professional Eyes Only

2 Q. Okay.

3 A. Not a probabilistic estimate with  
4 numbers attached to it.

5 Q. Okay. With percentages attached  
6 to it?

7 A. With percentages attached to it.

8 Q. Thank you.

9 And what about the worst-case  
10 scenario? You've talked about best-case,  
11 worse-case.

12 What is your understanding of the  
13 worst-case scenario for the bondholders,  
14 now, focusing on their downside?

15 First of all, did you ever see  
16 such an analysis? Not what it said, just  
17 whether you saw such an analysis?

18 A. When you say "saw such an  
19 analysis," you mean with probabilities  
20 attached to it or just --

21 Q. No, generally, now. I'm moving  
22 off of the percentage issue. I'm just  
23 asking whether you've ever seen an analysis  
24 of the worst-case scenario from the  
25 bondholders' point of view?

1 D. Skeel - Professional Eyes Only

2 A. I believe I have.

3 Q. Okay.

4 A. We've had lots of discussion of  
5 the different possibilities.

6 Q. Okay. And I want to be careful.  
7 I'm not asking you to reveal what that  
8 presentation was, but rather whether you  
9 recall seeing any mention of the words  
10 "nonrecourse"?

11 A. I don't know if the specific  
12 words were there. Certainly the objection  
13 argues that there is very limited recourse.

14 Q. When you refer to the objection,  
15 are you talking about the July 2nd  
16 complaint?

17 A. Yes.

18 Q. Okay. Fair enough.

19 Do you understand the term  
20 "nonrecourse" as a term of art in  
21 bankruptcy?

22 A. Yes, I do understand it.

23 Q. Like a claim that is nonrecourse,  
24 you understand what that means?

25 A. Yes, I do.

1 D. Skeel - Professional Eyes Only

2 Q. Just in your -- what does it  
3 mean, your understanding of it?

4 A. Ordinarily, a nonrecourse claim  
5 is a claim where the creditor is entitled,  
6 it's usually a secured creditor, is  
7 entitled to seek recovery from its  
8 collateral but not from anywhere else.

9 Q. And is that relevant in this  
10 case, that term? Is that applicable in  
11 this context, in the PREPA case?

12 MS. DALE: Objection to the form  
13 of the question and to the extent  
14 seeking a legal conclusion.

15 A. I don't know if that specific  
16 concept is. The core argument or one of  
17 the core arguments in the lien objection  
18 has a similar form. The core argument is  
19 that the creditors are entitled to only to  
20 funds that are in the sinking fund.

21 Q. Yeah, but you understand that  
22 when you're a nonrecourse, you don't even  
23 have an unsecured claim?

24 MS. DALE: Objection.

25 A. Ordinarily if you're nonrecourse,

1 D. Skeel - Professional Eyes Only  
2 you do have a claim.

3 Q. Okay. That's your understanding?

4 A. A core claim.

5 Q. Pardon?

6 A. You have a core claim.

7 Q. So, for example, in this case,  
8 the bondholders are owed more or less 8  
9 billion or so.

10 Your understanding is that even  
11 if we were successful in avoiding all their  
12 liens, they would still have an unsecured  
13 claim for 8 billion and change?

14 A. They would argue they do. I know  
15 there is an argument they would -- I  
16 believe there is an argument that they  
17 would not even have that but that is  
18 contested, is my understanding.

19 Q. What would be that argument that  
20 they don't even have that?

21 A. I can't construct it here.

22 Q. And what would be their argument?  
23 That they have such a claim, an unsecured  
24 claim?

25 A. Ordinarily, you have an unsecured

1 D. Skeel - Professional Eyes Only  
2 claim. You have a claim if you're owed  
3 money by an entity.

4 Are we putting aside this for  
5 now?

6 Q. Yes, for now.

7 (Skeel Exhibit 7, Text messages  
8 dated 8/31/18 to Skeel, Bates-stamped  
9 FOMB\_9019\_MOBILE\_00000127 through 143,  
10 marked for identification, as of this  
11 date.)

12 BY MR. DESPINS:

13 Q. So if you can read that and let  
14 us know when you're ready.

15 (Witness complies.)

16 A. Okay.

17 Q. Can you --

18 MR. DESPINS: First of all, let's  
19 identify this. I apologize. So it's  
20 FOMB 00127 through to 143. It starts  
21 with -- these appear to be text  
22 messages between Ana Matos Santos and  
23 Professor Skeel, with the first one  
24 being on August 31st, 2018.

25 BY MR. DESPINS:

1 D. Skeel - Professional Eyes Only

2 Q. Can you, after reviewing this,  
3 can you give us a sense of what you guys  
4 are talking about and what is the general  
5 topic?

6 A. I'm not certain. I think it's  
7 probably negotiations relating to COFINA or  
8 the Commonwealth.

9 Q. If you look at the last text,  
10 page 143, "I think the impact of the  
11 committee walking is not getting the  
12 attention that it needs."

13 Are you sure this is going to  
14 refer to PREPA or -- I don't know. I'm --

15 A. I don't -- I don't know. I'm  
16 pretty certain it doesn't refer to -- there  
17 is a reference to PREPA in here --

18 Q. Yeah.

19 A. -- but this is not referring to  
20 PREPA. I think it's referring to COFINA,  
21 but I'm not sure.

22 Q. Because I thought there was a  
23 reference to PREPA in here. Okay. So  
24 that's 140, 141. That seems to refer to  
25 PREPA, right?

1 D. Skeel - Professional Eyes Only

2 It says, "The prioritization of  
3 generation transformation and the focus on  
4 killing the beast everywhere feels really  
5 bad to me."

6 There's no generation  
7 transformation with COFINA, right?

8 A. No, but it refers to "killing the  
9 beast everywhere," which I assume is more  
10 than just -- I mean, I'm not sure what it  
11 means, but I don't think that's  
12 PREPA-specific.

13 Q. So what does "killing the beast"  
14 mean?

15 MS. DALE: Objection.

16 A. I'm not sure. I mean, I think it  
17 means transforming everything, but I'm not  
18 sure.

19 Q. Okay. What about in 140 when you  
20 say, "I have the same feeling. Too many  
21 things seems too sleazy"?

22 This is you now.

23 A. This is I think a response to  
24 whatever we're talking about to the prior  
25 -- to the prior text. But I -- I don't

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1 D. Skeel - Professional Eyes Only  
2 think they're about PREPA. I think they're  
3 about COFINA or the Commonwealth, although  
4 I don't remember the conversation.

5 Q. But then on 137, you say the --  
6 (as read) "Though the local folks,  
7 quote/unquote, is largely massive New York  
8 law firm that was pushing its own Hail Mary  
9 reorg plan without talking to bondholders."

10 MS. DALE: Is there a question?

11 BY MR. DESPINS:

12 Q. What does that mean? This is  
13 from you.

14 A. I'm not sure, but I don't think  
15 it's PREPA because there aren't local  
16 bondholders that have been a focus of PREPA  
17 that I'm aware of.

18 Q. Were these text messages sent  
19 during a meeting or a call? It appears  
20 that you're doing live, live commentary on  
21 something that is happening before you. I  
22 could be wrong.

23 A. It's speculating, but I think  
24 it's either a meeting or a call, and these  
25 are just kind of stream of consciousness

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1 D. Skeel - Professional Eyes Only  
2 comments during whatever is happening  
3 during the meeting.

4 Q. Because, again, 133 refers to the  
5 unions. There are no unions in COFINA.  
6 Let me just...

7 MS. DALE: Wait for a question.

8 BY MR. DESPINS:

9 Q. Okay. So nothing refreshes your  
10 recollection?

11 A. No.

12 Q. Okay.

13 (Skeel Exhibit 8, Text messages  
14 dated 11/19/18 to Skeel, Bates-stamped  
15 FOMB\_9019\_MOBILE\_00000144 through 154,  
16 marked for identification, as of this  
17 date.)

18 BY MR. DESPINS:

19 Q. So same question, if you can  
20 review this and let us know when you're  
21 ready.

22 (Witness complies.)

23 A. Okay.

24 Q. So first big picture question is:  
25 Does this relate to PREPA?

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1 D. Skeel - Professional Eyes Only

2 A. I think this one does.

3 Q. Okay. It talks about -- just to  
4 identify, for the record, we are talking  
5 about document FOMB 144 through 155 with  
6 the first one on top being dated  
7 November 19, 2018.

8 So now we're talking  
9 post-preliminary RSA but pre-May 2019 RSA.

10 So what is this reference to the  
11 "government is retrading the RSA a bit"?

12 A. I'm not certain. It could be a  
13 reference to the government wanted to push  
14 off the start of the transition charge. It  
15 could be that. It could be something else.

16 MS. DALE: I'm just going to  
17 caution you not to speculate if you're  
18 not sure.

19 BY MR. DESPINS:

20 Q. And then there's a -- on 148, "I  
21 wouldn't cry if we lost Assured. That was  
22 tentative and made it more expensive."

23 What are you referring to there?

24 A. I think I'm referring to  
25 negotiations with Assured to bring them

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1 D. Skeel - Professional Eyes Only  
2 into the RSA.

3 Q. Okay. 150, your text,  
4 "Absolutely. And I completely agree we  
5 should honor the deal we made."

6 You're referring to the  
7 preliminary RSA at this point?

8 A. I think so.

9 Q. And 153, again from you, "Amen, I  
10 don't love the deal, but we agreed to it."

11 And the response at 154, "I'm in  
12 the same place. I don't love it either."

13 And last one is "What we agreed."

14 So the point there is that even  
15 though you didn't like the deal, you felt  
16 bound because you had signed the  
17 preliminary RSA or?

18 MS. DALE: Objection.

19 A. I do like the deal. And I am of  
20 the view that overall, it's a good deal.  
21 It's not perfect, but it's a good deal.

22 Q. So when did you start liking the  
23 deal?

24 A. I liked it when I voted on it. I  
25 voted for it.

1 D. Skeel - Professional Eyes Only  
2 Q. But what did you mean by "I don't  
3 love the deal"?

4 A. I'm not sure what I mean here.  
5 I'm not sure precisely what we're talking  
6 about.

7 Q. Well, what deal are we talking  
8 about? The RSA.

9 A. We're talking about the RSA --

10 Q. Okay.

11 A. -- but we seem to be talking  
12 about different pieces of the RSA.

13 Q. What did you mean when you say  
14 "Natalie still doesn't understand the BR  
15 dynamics"?

16 "BR" means bankruptcy, I assume  
17 or...

18 A. Presumably, yes.

19 Q. Okay. That's 151.

20 What did you mean by that?

21 A. I have no idea what I meant.

22 Q. You have a lot of texts that are  
23 floating like this where you have no clue  
24 what was said?

25 A. These are stream of -- this is in

1 D. Skeel - Professional Eyes Only  
2 a meeting, texting back and forth. I mean,  
3 I just don't remember what the specific  
4 context was.

5 Q. Okay.

6 (Skeel Exhibit 9, Email chain  
7 beginning with email dated 4/26/19 from  
8 Castiglioni to Batlle with attachments,  
9 Bates-stamped CGMIRSA\_001458 through  
10 1465, marked for identification, as of  
11 this date.)

12 BY MR. DESPINS:

13 Q. Just to make sure we have the  
14 same document, FO -- I'm sorry, not FOMB.  
15 This must be Citibank. 1458 through 1465?

16 A. Just a minute.

17 (Document review.)

18 Q. And dated 4/25. April 25, 2019.

19 So the same thing, if you can  
20 read it and let us know when you're ready.

21 A. Read the whole thing or what --

22 Q. Well, actually, I'm going to  
23 focus on page 1465.

24 (Document review.)

25 A. Okay.

1 D. Skeel - Professional Eyes Only  
2 Q. So, again, focusing on page 1465,  
3 this appears to be a document prepared by  
4 Citibank for the board.

5 Is that your understanding as  
6 well?

7 A. That's what it looks like.

8 Q. Okay. So 1465 has Benefits and  
9 Considerations, and I just want to ask you  
10 some questions about some of the items, the  
11 points that are made.

12 Under Benefits, third bullet,  
13 "Creditors are taking a meaningful haircuts  
14 to claims."

15 How would you -- do you think  
16 that's accurate?

17 A. Do I think that under the RSA,  
18 the permanent RSA, do I think that under  
19 the permanent RSA creditors are taking  
20 meaningful haircuts?

21 Yes, I do think that.

22 Q. Okay. Three bullets down from  
23 there, it says, "It may result in a stay of  
24 receiver motion."

25 Just to put this in context, 4/25

1 D. Skeel - Professional Eyes Only  
2 is a few days before the release of the --  
3 what you call the permanent RSA, right, on  
4 May 3rd of 2019?

5 A. Correct.

6 Q. Okay. So at that stage, it was  
7 still "may," not "will."

8 Will you agree with that?

9 A. I agree that's what that said. I  
10 would have expected that we were pretty  
11 confident at this point the receiver motion  
12 would be stopped.

13 Q. But in fact, it wasn't withdrawn  
14 for many months thereafter, right? Do you  
15 know that?

16 A. I don't remember that.

17 MS. HELSTEAD: Objection to form.

18 BY MR. DESPINS:

19 Q. Okay. Going on the right-hand  
20 side, the top one, "Power revenue bonds may  
21 be unsecured because perfection was  
22 defective. Successful litigation could  
23 result in lower recoveries."

24 Is that consistent with the other  
25 presentations that you've received on this



1 D. Skeel - Professional Eyes Only  
2 issue of the litigation risk to the  
3 bondholders?

4 MS. DALE: Objection to the form.

5 A. Yes, in the sense that we  
6 received multiple presentations that talked  
7 about the effect if we lost the lien  
8 challenge and the effect if we --

9 Q. If we won?

10 A. -- won the lien challenge.

11 Q. The third bullet still under  
12 Considerations, it says, "Total resulting  
13 cost of electricity plus legacy charges is  
14 unclear."

15 What does that mean?

16 A. It means that the total costs are  
17 unclear. I'm not sure what the specific  
18 point here is. I don't remember -- or if I  
19 knew exactly what the, what the unclearness  
20 referred to as.

21 Q. To the parts that are other than  
22 the legacy charge.

23 You remember I was asking you  
24 earlier before lunch about when if I'm a  
25 PREPA customer I get a bill, and built in

1 D. Skeel - Professional Eyes Only  
2 there, there will be a special charge for  
3 the legacy bonds?

4 A. Right.

5 Q. And then there is the rest. And  
6 don't you think that's what this refers to,  
7 the fact that this fixes the legacy charge,  
8 but the total cost is unclear because we  
9 don't know?

10 A. That certainly is a plausible  
11 reading of that line.

12 Q. Okay. Next, "Does not eliminate  
13 lien litigation or litigation or plan  
14 confirmation with non-supporting  
15 bondholders."

16 Remember before lunch we had a  
17 discussion what I called the disgruntled 10  
18 percent, as a joke, because I don't know if  
19 they're disgruntled or not, or they're just  
20 missing in action? But do you understand  
21 -- what does this refer to?

22 A. I think they're saying that there  
23 still is the possibility of litigation with  
24 the non-supporting bondholders, at this  
25 point 10 percent who are not part of the

1 D. Skeel - Professional Eyes Only  
2 RSA.

3 Q. In the next bullet, "If  
4 transformation is unsuccessful, this deal  
5 still applies."

6 A. I read that as saying, if this  
7 deal gets locked in, it would be locked in.  
8 It would be fixed.

9 Q. So let's go through that scenario  
10 for a second. Let's assume in June of next  
11 year, I don't know, the transformation is  
12 disappointing or they all bail out. We are  
13 talking about again T&D transformation now.  
14 And the board says, well, it doesn't make  
15 sense to do this deal anymore.

16 Do you have a sense of how much  
17 money or benefits would have been given to  
18 the bondholders at that point?

19 MS. DALE: Objection. Calls for  
20 speculation.

21 A. I don't know exactly.

22 Q. Well, 5 million?

23 A. I don't have a guess of exactly  
24 what would be given them by then.

25 Q. So you don't know if it's 100

1 D. Skeel - Professional Eyes Only  
2 million, 200 million, 500 million, a  
3 billion?

4 A. I don't know what the number is.

5 Q. Are you still supporting this  
6 deal today?

7 A. Yes, I am.

8 Q. But you don't know what the  
9 amounts are?

10 A. I know what the amounts under the  
11 deal are. I don't know -- I don't know  
12 what the exact payments would be by some  
13 future date that you've picked.

14 Q. No, I'm not asking you for exact  
15 payments. I won't hold you to 100 million.  
16 You know, I'll give you 100 million leeway.  
17 So 5 million, 100 million, 200  
18 million, a billion?

19 A. I don't know. I mean, I could  
20 guess, but I don't know.

21 MS. DALE: Or he could show you a  
22 document, which he chooses not to do.  
23 BY MR. DESPINS:

24 Q. Did you ever see a presentation  
25 showing the payments that the bondholders,



1 D. Skeel - Professional Eyes Only  
2 or the benefits and payments the  
3 bondholders would retain if the board  
4 decided no transformation, no T&D  
5 transformation?

6 A. Can you clarify the rest -- the  
7 other states of the world? Has the RSA  
8 been approved in 2019 --

9 Q. Yeah, RSA is approved today, and  
10 we're in 2020 and, oh, my God, the T&D  
11 process didn't go well, unfortunately. So  
12 the board decides we're not going forward  
13 with the transformation and -- first of  
14 all, do you understand that the board can  
15 do that, can back out of this deal?

16 A. They can. There are -- at that  
17 point you're describing, there are  
18 provisions that define what happens based  
19 on why you back out.

20 Q. Did you ever see a presentation  
21 that showed what happened under that  
22 scenario of, you know, what -- that shows  
23 how much the board would have doled out to  
24 the bondholders and -- under that scenario?

25 MS. DALE: Objection.

1 D. Skeel - Professional Eyes Only

2 A. We have seen presentations or  
3 discussions of what the default and  
4 backing-out provisions provide for.

5 Q. No, I understand that. I am sure  
6 you have seen provisions that describe  
7 that. But we have not seen produced any  
8 document that shows the dollars associated  
9 with a, what I call, a busted deal.

10 Do you know what I mean by that?  
11 A failure to proceed with the T&D  
12 transaction.

13 A. And what is the question?

14 Q. Have you ever seen one?

15 A. Not one that shows specific  
16 dollars that I am aware of.

17 Q. Okay. Is that irrelevant to you?

18 A. What's most relevant to me are  
19 what are the provisions and what generally  
20 they provide for.

21 Q. Just to be clear, when I was  
22 asking these questions about a busted deal,  
23 you understand that under the RSA, there is  
24 a mechanism for the board not to proceed  
25 with the securitization transaction?

1 D. Skeel - Professional Eyes Only

2 A. Yes, I'm aware of that provision.

3 Q. Okay. And that's what we've been  
4 talking about?

5 A. I assumed as much --

6 Q. Okay. Okay.

7 A. -- but that wasn't the question  
8 you asked me.

9 Q. But, okay, that's what you were  
10 responding to?

11 A. I was responding to the questions  
12 you were asking me.

13 Q. Okay. Well, so let me ask you  
14 the same questions.

15 What's your understanding of what  
16 -- what is the understanding what happens  
17 if a securitization termination occurs?

18 A. There is a stipulated treatment  
19 under the RSA.

20 Q. Okay. So that -- these are the  
21 questions that were asking you about the  
22 amounts payable and all that?

23 A. Right.

24 Q. Is that what you're responding  
25 to?

1 D. Skeel - Professional Eyes Only

2 A. You were asking what I took to be  
3 more open-ended questions, and I was having  
4 trouble figuring out what you were asking.

5 Q. Okay. So let's go through that.

6 Do you know under that scenario  
7 we just described how much money the  
8 bondholders would have received --

9 A. I don't. I know what the  
10 percentage payment is, more or less.

11 Q. I understand.

12 But -- and when I was asking you  
13 have you ever seen presentations showing  
14 the dollar amounts at different points in  
15 time when you exercised that right, have  
16 you ever seen that, I think the answer was  
17 no, but I want to confirm that's what you  
18 meant.

19 A. I don't believe I have.

20 Q. Okay. What's your understanding  
21 of when a securitization termination can be  
22 exercised?

23 A. My understanding is when the  
24 government -- if the government parties  
25 were to determine that the securitization

1 D. Skeel - Professional Eyes Only  
2 would interfere with the transformation, it  
3 can exercise that.

4 Q. Okay. And is the board the only  
5 party that has the right to terminate on  
6 that basis?

7 A. I believe any of the government  
8 parties can terminate.

9 Q. What is your level of comfort  
10 that the other government parties would not  
11 exercise that right?

12 MS. DALE: Objection to the form  
13 of the question.

14 A. I believe that the government  
15 parties want this transformation to go  
16 forward. Comfort is never 100 percent, but  
17 I have a relatively high degree of comfort.

18 Q. Do you remember Law 80? Does  
19 that ring a bell?

20 A. Yes, it does.

21 Q. So in that case the governor and  
22 the board agreed on something that should  
23 happen with the legislature and that didn't  
24 happen, correct?

25 A. That is correct.

1 D. Skeel - Professional Eyes Only

2 Q. And does that lead you to believe  
3 that the outcome of a determination on this  
4 issue by other government parties is not  
5 predictable?

6 MS. DALE: Objection.

7 A. I wouldn't say that. That was a  
8 particular set of facts and the government  
9 responded in a particular way.

10 Q. Which governor agreed to the RSA,  
11 what you called the permanent RSA, the  
12 May 2019 RSA?

13 A. The governor, when it was agreed  
14 to, was Governor Rosselló.

15 Q. Why did the government get a  
16 termination right?

17 A. I don't know. Yeah, I don't  
18 know.

19 Q. Could the next governor exercise  
20 a termination right? And by that, I mean  
21 the securitization termination right.

22 A. It's not keyed to the governor.  
23 There are government -- I don't believe. I  
24 believe it's keyed to AAFAF and PREPA.

25 Q. Okay. But who controls PREPA?

1 D. Skeel - Professional Eyes Only

2 A. That's debatable.

3 Q. So tell me, who controls it?

4 A. PREPA could terminate the RSA.

5 Q. And you don't think the governor  
6 has any impact on that?

7 A. I didn't say that.

8 Q. Okay. What is your belief? That  
9 the governor could dictate that result?

10 A. I'm not going to speculate about  
11 lines of authority.

12 (Skeel Exhibit 10, Email dated  
13 5/21/19 from Battle to CEO@aafaf.pr.gov  
14 with attachments, Bates-stamped  
15 PREPA\_RSA0028795, marked for  
16 identification, as of this date.)

17 (Document review.)

18 BY MR. DESPINS:

19 Q. So same thing, if you could  
20 review, but I will direct you to certain  
21 pages, but tell me when you're ready.

22 (Witness complies.)

23 A. Okay.

24 Q. So just to identify the document,  
25 starting at 28795, PREPA 28795 through

1 D. Skeel - Professional Eyes Only  
2 PREPA 2810 -- no, 28810, 28810. Sorry.

3 This appears to be another  
4 presentation by Citibank to -- is it to the  
5 Oversight Board or do you have a sense of  
6 that?

7 A. No. Well, it looks like the  
8 presentation was one that we saw, but  
9 that's not who it's being sent to. It  
10 looks like it's being sent by Ankura to  
11 AAFAF.

12 Q. Okay. The date on this is  
13 May 21st, 2019, correct?

14 A. That is correct.

15 Q. So that's after the release of  
16 the permanent RSA, as you referred to it?  
17 After the release of the May 3rd, 2019,  
18 RSA?

19 A. That is correct.

20 Q. Okay. So let's go to page 28805.

21 A. 28805. Okay. Can I read it?

22 Q. Sure. Sure.

23 (Document review.)

24 A. Okay.

25 Q. So from the bottom, the third

1 D. Skeel - Professional Eyes Only  
2 bullet up from the bottom, "If  
3 successful..."

4 Do you see that sentence?

5 A. Yes, I do.

6 Q. "... a challenge to the asserted  
7 secure interests would leave non-supporting  
8 bondholders secured only by the funds in  
9 the sinking fund account approximately \$16  
10 million."

11 Is this consistent again with the  
12 type of presentations you had been  
13 receiving from your advisers regarding the  
14 challenge to the bondholders' security  
15 interest?

16 A. We had seen these kinds of  
17 arguments, yes.

18 Q. And the last bullet says, "Absent  
19 full consensus on a plan by PREPA  
20 bondholders, the Oversight Board will  
21 likely pursue this challenge against  
22 non-supporting holders for purposes of plan  
23 confirmation."

24 Do you see that?

25 A. Yes, I do.

1 D. Skeel - Professional Eyes Only

2 Q. So did you understand that, that  
3 litigation that is being settled with the  
4 ad hoc members might go forward with other  
5 parties when you approve the RSA?

6 A. Yes, if there are parties who  
7 don't ultimately approve the RSA, yes.

8 Q. Okay. So therefore, the cost of  
9 litigation for that would be incurred  
10 regardless?

11 A. It may or may not be the same  
12 cost but...

13 Q. Okay. Okay. Then I'm going to  
14 page 28808. And so we'll go back to that  
15 in a second, but I have some background  
16 questions I want to ask you first.

17 A. But before I look at it --

18 Q. Feel free to look at it, yes. Go  
19 ahead.

20 (Document review.)

21 A. Okay.

22 Q. So first some background  
23 questions. I'll admit that I'm not sure  
24 whether we covered that precisely, but  
25 you'll tell me if we have.

1 D. Skeel - Professional Eyes Only

2 When you approved the RSA, did  
3 you consider the effect of the RSA on other  
4 creditors, meaning, non-bondholders? By  
5 that I mean, fuel line lenders --

6 MR. HAWKINS: Asked and answered.  
7 BY MR. DESPINS:

8 Q. -- pensions or unsecured  
9 creditors?

10 MR. HAWKINS: Objection. Asked  
11 and answered. You spent a lot of time  
12 on that?

13 MS. DALE: True, but...

14 MR. DESPINS: Okay, but he can  
15 still answer the question.

16 A. We focused primarily on the  
17 signatories to the RSA.

18 Q. Okay. So did you ever consider  
19 whether this deal could leave other  
20 creditors with no recoveries in the PREPA  
21 case?

22 A. In general terms, I think we  
23 probably did. I don't remember.

24 Q. In general terms, how would you  
25 have done that?

1 D. Skeel - Professional Eyes Only

2 A. Well, at various points, we  
3 talked about implications for fuel line  
4 lenders and different possible payouts to  
5 fuel line lenders, but we focused primarily  
6 on the signatories.

7 Q. But let's put aside the fuel  
8 lenders for now, and let's talk about the  
9 unsecured creditors.

10 What discussions were there about  
11 the impact of this RSA on unsecured  
12 creditors?

13 A. I don't remember.

14 Q. You don't remember any?

15 A. I do not.

16 Q. Okay. Did you understand when  
17 you were approving the RSA that you were  
18 giving the bondholders a veto over some  
19 form of distributions to unsecured  
20 creditors?

21 MS. DALE: Objection.

22 MR. HAWKINS: Objection.

23 A. I don't know.

24 Q. Do you see on this page 28808, in  
25 the middle there it says, "Additional

1 D. Skeel - Professional Eyes Only  
2 indebtedness, to the extent permitted by  
3 applicable law, may be issued for the  
4 following purposes."

5 Do you see anything in there  
6 about issuing indebtedness to other legacy  
7 creditors, meaning other prepetition  
8 creditors?

9 MS. DALE: Objection. I'm sorry,  
10 Luc, where are you pointing us to on  
11 8809?

12 MR. DESPINS: No, 28808 and  
13 28809.

14 MS. DALE: Got it.

15 BY MR. DESPINS:

16 Q. Whether you see in there any  
17 reference to indebtedness to -- given as  
18 distributions to other legacy creditors,  
19 such as unsecured creditors?

20 A. I do not, as in this description  
21 of additional indebtedness that can be  
22 taken on, no, I do not see it in those  
23 bullet points.

24 Q. Would it surprise you to  
25 understand that in fact the bondholders

1 D. Skeel - Professional Eyes Only  
2 have a veto over any such additional  
3 indebtedness for the purpose of providing a  
4 distribution to let other legacy creditors?

5 MS. DALE: Objection.  
6 Foundation.

7 MR. BEREZIN: Objection to the  
8 form.

9 A. I wouldn't know one way or the  
10 other.

11 Q. Is that something that is  
12 important to you?

13 A. It's something I would take into  
14 consideration if it were presented to me as  
15 something to be deciding about.

16 Q. But was it presented to you?

17 A. I don't know. And I note on  
18 that, I don't know that we ever saw this  
19 document. This may well have been a  
20 document that was prepared for PREPA. Citi  
21 has been working both with the government  
22 and with us, so I don't know that I've ever  
23 seen this particular document before.

24 Q. But you've seen the RSA itself,  
25 right?

1 D. Skeel - Professional Eyes Only

2 A. I've seen the RSA, yes.

3 Q. And you saw the schedules to the  
4 RSA, the attachments to the RSA?

5 A. I think I have seen them.

6 Q. Okay. Sitting here today, do you  
7 have any sense of whether there is -- there  
8 could be any distributions to unsecured  
9 creditors after the RSA is approved?

10 MS. DALE: Objection.

11 A. I don't know.

12 Q. Have you ever seen -- strike  
13 that.

14 You're familiar with  
15 restructuring support agreements generally,  
16 not in this case, but generally? You're  
17 familiar with that concept?

18 A. Yes, I am.

19 Q. Or a Plan Support Agreement?  
20 That rings a bell?

21 A. Yes, it does.

22 Q. Have you ever seen a Plan Support  
23 Agreement or a Restructuring Support  
24 Agreement that provides for  
25 pre-confirmation distributions of this

1 D. Skeel - Professional Eyes Only  
2 magnitude? By "this," I mean --

3 MS. DALE: Objection to form.

4 BY MR. DESPINS:

5 Q. -- as contemplated by the RSA.

6 A. I don't know.

7 MR. DESPINS: Let's circulate  
8 this. That's going to be?

9 THE REPORTER: 11.

10 THE WITNESS: Are we finished  
11 with this (indicating)?

12 MR. DESPINS: For now, yes.

13 (Skeel Exhibit 11, PREPA RSA -  
14 Bondholders' Recoveries Based on David  
15 Brownstein's Declaration, not  
16 Bates-stamped, marked for  
17 identification, as of this date.)

18 (Document review.)

19 MS. DALE: Luc, there is no Bates  
20 on this. Is this something that was  
21 prepared --

22 MR. DESPINS: No. I'll describe  
23 it in a second.

24 MS. DALE: Okay. Thank you.  
25 (Document review.)

D. Skeel - Professional Eyes Only

A. Okay.

Q. Okay. So this is a document that was generated by our financial advisers, but it is a complete copy of the schedules contained in the Brownstein declaration other than for the shaded lines at the bottom.

Do you see there is two shaded percentages columns at the bottom?

A. Yes, I do.

Q. Okay. So other than that, the rest is just exactly out of the Brownstein declaration.

A. Okay.

Q. So the first thing is you know that there are two types of securities being given to the bondholders under the RSA, correct?

A. Yes, I do.

Q. Okay. So there are the A bonds and the B bonds?

A. Correct.

Q. Okay. And what is your understanding of the expectation regarding

D. Skeel - Professional Eyes Only

the payments to be received by bondholders under the A bonds?

A. The expectations in terms of what we believe will happen?

Q. Yes.

A. We believe they will eventually pay off.

Q. And if I'm not mistaken, before lunch you mentioned, was it, 33 years or something like that?

A. It's something, 33, 34, I think are our most recent calculations.

Q. Okay. And what about the B bonds, what is your expectation there?

A. The expectation is that they won't pay off in full. And that's the middle column that you have is based on the expectations.

Q. Okay. Do you see the difference on top there between the claims of the bondholders with post-petition interest or without post-petition interest? This is one little i and two little i on the top. Do you see the difference? 9.3 --

D. Skeel - Professional Eyes Only

A. I see it. I'm just looking.

Q. Okay.  
(Document review.)

A. Yes, I see those numbers.

Q. Okay. So you testified before that your understanding of the recovery percentage to the bondholders was in the 73 percent range or so.

Is that fair?

MS. DALE: Objection. Misstates his testimony.

BY MR. DESPINS:

Q. Well, please correct me.

A. My expectation -- or our expect -- my understanding of our expectation with the recovery of principal of the bondholders is that they will recover in full on the A bonds and roughly half on the B bonds, a little more than half.

Q. No, no, I understand that.

What I'm saying is that in terms of their percentage recovery compared to their pre-petition position, I thought I, and correct me if I'm wrong, I thought I

D. Skeel - Professional Eyes Only

heard you state that you thought it was in the 73 percent range or something like that?

A. I was speaking of the principal recovery, or I meant to be.

Q. Principal, you mean, principal without --

A. Not factoring the interest into it. Their principal as of the commencement of the RSA, of the payout under the RSA.

Q. Okay. Well, I think there is a disconnect there because if you use only their principal amount, and I agree that should be the measure, their recovery in the middle of the column is 86.2 percent.

Are you sure you don't mean principal plus interest?

A. Well, the number I'm thinking of is the principal plus accrued -- percentage of the principal plus accrued interest as of May 20, 2019.

Q. Okay. Thank you.

So that's the 78.8 figure in the middle column?



1 D. Skeel - Professional Eyes Only  
2 By the way, if those figures are  
3 wrong, I'm not going to hold you to this,  
4 but I think that's the math.

5 A. I'm trusting your math.

6 Q. Not my math. Never trust my  
7 math.

8 A. I'm trusting somebody's math.

9 MS. DALE: Yup.

10 (Document review.)

11 A. I mean, I'm not following whether  
12 it's including the --

13 Q. Yes, that's why the dates are  
14 different. Do you see --

15 A. Yeah --

16 Q. -- it says --

17 A. -- that's post.

18 Q. Exactly. So if you include the  
19 post-petition interest, they're getting  
20 78.8 percent. That's what Mr. Brownstein  
21 is saying. And the total recovery, if you  
22 include post-petition interest, is 86.2  
23 percent, again, based on Mr. Brownstein's  
24 numbers.

25 A. But that's not what he said.

1 D. Skeel - Professional Eyes Only

2 That's you calculated --

3 Q. No, he did not calculate the  
4 numbers, but all the other numbers are  
5 there. So this is purely mathematics. So  
6 it's the application of these numbers.

7 So my question to you is, are you  
8 comfortable with this range of, you know,  
9 either 78.8 or 86.2 percent of their  
10 claims, that's in the middle scenario,  
11 expected cash flow to Tranche B.

12 MS. DALE: Objection to the form  
13 of the question.

14 A. These numbers that you've added,  
15 you are calculating -- you're looking at  
16 different things than what we were looking  
17 at. We were looking -- we're looking --  
18 you're adding -- you appear to be adding in  
19 the administrative claim from May 2019 to  
20 2020, the waiver and support fee. So you  
21 are adding things into the numbers.

22 Q. No, no, those numbers are all in  
23 Mr. -- we can confirm that. If you take  
24 the Brownstein declaration, you will see  
25 there are schedules.

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2 MS. DALE: No. 5.

3 BY MR. DESPINS:

4 Q. Page 15 and 16, do you see the  
5 claim is there for 393.8 -- well, 393.764,  
6 page 15, paragraph 37.

7 (Document review.)

8 A. Okay. Go ahead.

9 Q. Okay. So just to be clear, we're  
10 not -- we're using his numbers, just  
11 putting percentages on them depending on  
12 whether you include -- you measure this  
13 including post-petition interest or not.

14 So my question to you is, are  
15 you, focusing on the middle column, the  
16 percentages that are there, 78.8 percent  
17 and 86.2 percent, are you comfortable that  
18 this did not exceed your upper range of  
19 recovery?

20 A. I am comfortable, yes. As I  
21 said, this is adding things -- this is  
22 adding everything up.

23 Q. Well, don't you agree that is the  
24 right way to do it?

25 A. That may be the right endpoint.

1 D. Skeel - Professional Eyes Only

2 It's not the right -- the start point, in  
3 my view, is what is the claim and what  
4 percentage of the claim. And this is  
5 adding several things on top of that. It's  
6 adding the administrative claim for the  
7 next year, we're in the middle of the year,  
8 and the waiver and support fee as well.

9 Q. So that should not be included,  
10 in your view?

11 A. It should be included in your  
12 ultimate conclusion, yes.

13 Q. Okay. But your testimony is that  
14 these percentages have not exceeded your  
15 upper end of the range?

16 A. That is correct.

17 Q. Even the one at 86.2 percent?

18 A. That is correct. You're looking  
19 at this differently than I would look at  
20 it, but seeing these numbers, yes, I'm  
21 comfortable with this.

22 Q. Would you be comfortable at 90  
23 percent?

24 A. What we're basing this analysis  
25 against is a claim that they're entitled to



1 D. Skeel - Professional Eyes Only  
2 100 cents on the dollar, interest  
3 throughout from the beginning to the end of  
4 time. And the RSA, in my view, is a  
5 significant reduction of that.

6 Q. Well, we're talking about, if  
7 it's 90 percent, then the discount is 10  
8 percent.

9 Do you think that is significant  
10 given the legal issues here?

11 MR. HAWKINS: Objection to form.

12 A. Yes, the way -- yeah.

13 Q. Okay.

14 MS. DALE: When it's convenient,  
15 can we take another break?

16 MR. DESPINS: Sure. Now if you  
17 want.

18 THE VIDEOGRAPHER: The time is  
19 2:33 p.m. We are off the record.

20 (Recess is taken.)

21 THE VIDEOGRAPHER: The time is  
22 2:48 p.m. We are back on the record.

23 (Skeel Exhibit 12, Text messages  
24 beginning with text messaged dated  
25 7/13/18 from Matosantos to Skeel,

1 D. Skeel - Professional Eyes Only

2 Bates-stamped FOMB\_9019\_MOBILE\_00000101  
3 through 126, marked for identification,  
4 as of this date.)

5 (Document review.)

6 BY MR. DESPINS:

7 Q. Tell me when you're ready.

8 A. Okay.

9 Q. That's Exhibit 12, correct?

10 A. That's what it says.

11 Q. Exhibit 12 appears to be a series  
12 of text messages. The batch numbers are  
13 FOMB0101 through 0126. They are in 2018,  
14 although in different days of 2018, appear  
15 to be late -- mid to late July, early  
16 August.

17 So the first thing to clarify,  
18 we're talking about PREPA here?

19 MS. DALE: Objection.

20 A. Which one are you talking about?

21 Q. All of them. Generally, the  
22 discussion is about PREPA? There are  
23 references to COFINA as well, but generally  
24 this is about PREPA?

25 A. At least some of it is about

1 D. Skeel - Professional Eyes Only  
2 PREPA.

3 Q. Okay. What does Ana, what does  
4 she mean on 101 when she says, "I was not  
5 tracking on the 90. What was that?"

6 Response, "I wasn't sure either.  
7 I think it may be ad hoc 70/20 proposal."

8 A. Well, the 70/20 would be  
9 presumably an A bond with a 70 cents on the  
10 dollar payout and a B bond with 20.

11 Q. For a total potential of 90  
12 percent recovery or?

13 A. It looks like that's what I was  
14 guessing.

15 Q. Okay.

16 A. I wasn't sure, it looks like.

17 Q. Okay. 105, this is again Ana  
18 saying, "I'm sorry I was getting impatient  
19 with Citi."

20 And then next page, "I just don't  
21 quite know what their deal is," meaning,  
22 Citi, 107.

23 "And I was trying to feel out  
24 whether they had direction that had not  
25 come from us." This is on 108.

1 D. Skeel - Professional Eyes Only  
2 And you respond, "No worries.  
3 I'm cautiously optimistic."

4 What is she talking about Citi  
5 there, or do you have any sense?

6 A. I do not know what this is in  
7 reference to.

8 Q. Okay. Then on 111, she says, "It  
9 felt weird to frame things as they did with  
10 four of us here."

11 What does she mean by the four of  
12 us. Who is that?

13 A. I don't know. I don't know where  
14 we are or what we're doing.

15 Q. Okay. In 112 she says, "I find  
16 the duration brutal."

17 What duration is she referring  
18 to?

19 A. My guess is it's the duration of  
20 the B bond, but I don't know.

21 Q. Well, next page, 113, "Issuing  
22 50-year debt to have an unaffordable level  
23 of borrowing for its GO and get around the  
24 constitution didn't work out very well for  
25 the people or the creditors."

1 D. Skeel - Professional Eyes Only  
2 So I guess that's what she must  
3 be talking about.

4 A. Although that doesn't sound --  
5 this doesn't sound like PREPA. It's --

6 Q. No, it's not -- she's referring  
7 to the fact that that strategy of loading  
8 up debt has not worked out well for Puerto  
9 Rico.

10 MS. DALE: Well, wait for a  
11 question.

12 MR. DESPINS: Okay.

13 BY MR. DESPINS:

14 Q. Then 114, "Makes sense to argue  
15 or to raise."

16 Do you know what she's talking  
17 about?

18 A. I do not.

19 Q. Then you respond, "You could  
20 though, Davids," plural, "making the  
21 resistance clear."

22 One of these is David Brownstein,  
23 correct?

24 A. I don't know. It could well be.  
25 I don't think the text had said.

1 D. Skeel - Professional Eyes Only  
2 Q. Well, she's talking about the  
3 Citibank folks, so...

4 A. The odds are pretty good --

5 Q. Okay.

6 A. -- it's a reference to David  
7 Brownstein, but I do not know.

8 Q. Okay. Page 118, "Big thing today  
9 was PREPA and COFINA and PREPA got a  
10 counter 67.5 A and 10 on a B. Aligned with  
11 our last convo - I think. We said okay."

12 Next one, "I said please call  
13 David pre any communication with  
14 creditors."

15 David, who is she talking about?  
16 She's talking about you then?

17 A. She -- yeah, I think she is, but  
18 I'm not sure.

19 Q. Okay. Now this is a text from  
20 you on page 120.

21 "Thanks much on both counts. And  
22 the numbers sound consistent. At the very  
23 high end of okay."

24 So -- and the numbers she was  
25 quoting was 67.5 and 10.

1 D. Skeel - Professional Eyes Only  
2 Is that where we ended up, 67 and  
3 a half and 10?

4 A. Yes, that's where we ended up.

5 Q. Okay. So when you're referring  
6 to a "very high end of okay," you're  
7 referring to that transaction or that --  
8 what she just described?

9 A. I'm saying that those numbers are  
10 at the high end of reasonableness.

11 Q. Okay. Then on 121, a different  
12 date, a question from you: "Do you know  
13 where things stand on PREPA? I am a little  
14 queazy about the 5.25 discount rate. It  
15 looks to me to put the potential recovery  
16 over 80 percent from the perspective of a 5  
17 percent rate and over the original  
18 anticipated deal numbers."

19 Can you expound on that, what did  
20 you mean?

21 A. I think I'm talking about what  
22 interest rate will we use as we're  
23 negotiating the interest rate.

24 Q. But you mention an 80 percent  
25 recovery percentage in that these numbers

1 D. Skeel - Professional Eyes Only  
2 would bring us above 80 percent, correct?

3 A. Say that again.

4 Q. You mentioned in your text that  
5 using that discount rate would put the  
6 potential recovery over 80 percent?

7 A. It says it looks to me to put the  
8 potential recovery over 80 percent.

9 Q. And is that problematic?

10 A. Problematic in what sense?

11 Q. From your point of view.

12 A. I was -- I was, it looks like,  
13 concerned about what interest rate we used  
14 and the higher interest rate -- or the  
15 lower interest, the better; the higher  
16 interest rate, the less better.

17 Q. So how does that work? If the  
18 interest rate is higher than needed to be  
19 trading at par, then there is a higher  
20 recovery than the 100 cents? Is that the  
21 way it works?

22 MS. DALE: Objection to form.

23 BY MR. DESPINS:

24 Q. Or you tell me what you mean by  
25 that.

1 D. Skeel - Professional Eyes Only  
2 A. What I mean by here is we're  
3 negotiating the interest rate, and we're  
4 determining what the final interest rate is  
5 going to be. And I would prefer 5 over  
6 5.25.

7 Q. Because 5.25 got you to over 80?

8 A. From -- if 5 is the correct  
9 number, then 5.25 implies a higher  
10 recovery.

11 Q. And you said it's over 80 and  
12 that was not acceptable to you, correct?

13 MS. DALE: Objection.

14 A. That's not what that text says.  
15 The text says I was a little queazy about  
16 the shift. And I am now persuaded that  
17 that 5.25 is a good number.

18 Q. Really? How so?

19 A. I am persuaded that a market  
20 number probably would have been a bit  
21 higher than that.

22 Q. And how do you know that?

23 A. From discussions about the RSA.

24 Q. Did you ever -- did you get comps  
25 from Citi on this issue?

1 D. Skeel - Professional Eyes Only  
2 You know what I mean by comps,  
3 right?

4 A. I do.

5 I don't know whether we got -- we  
6 got advice about appropriate discount rate,  
7 or, yeah, interest rates.

8 Q. And to be clear, right, if you  
9 issue a debt instrument at five and a  
10 quarter percent but the yield is really  
11 lower than that, then that's additional  
12 recovery, isn't it?

13 A. Say that again.

14 MS. DALE: Objection to the form.  
15 BY MR. DESPINS:

16 Q. If a debt instrument is issued at  
17 a five and a quarter percent but the yield  
18 on such instrument is less than five and a  
19 quarter percent, what is the impact of that  
20 discrepancy on the recovery to the  
21 creditors holding such instrument?

22 MS. DALE: Objection to the form.

23 A. Yeah, I'm not following what you  
24 mean by the yield. I think we can reach a  
25 meeting of the minds on the point you're

1 D. Skeel - Professional Eyes Only  
2 trying to make, but I'm not following what  
3 you mean by when -- in your reference to  
4 yield.

5 Q. Well, is that what you meant by  
6 saying, "It looks to me to put the  
7 potential recovery over 80 percent from the  
8 perspective of a 5 percent rate"?

9 A. If 5 percent, as you are right,  
10 is your baseline, a 5.25 discount rate  
11 implies a higher recovery, yes.

12 Q. So when you signed the -- or  
13 approved the permanent RSA in May 2019, did  
14 you re-up your analysis of that issue you  
15 just addressed in that text message?

16 MS. DALE: Objection to the form.

17 A. The issue of the appropriate  
18 interest rate has been a constant topic of  
19 conversation, so we're talking about it.  
20 This was going into the preliminary RSA --

21 Q. Yup.

22 A. -- and we would have talked about  
23 it as well with the permanent RSA.

24 Q. Well, it's not a topic of  
25 discussion of today, is it?

1 D. Skeel - Professional Eyes Only

2 A. Now it is.

3 (Laughter.)

4 Q. Good one. Yes, it is.

5 I'm saying that your not having a  
6 debate over the appropriate interest rate  
7 these days, are you?

8 A. No. We, I think, did settle and  
9 have settled on 5.25 as an appropriate  
10 interest rate.

11 Q. 123, "I get that the main  
12 question was settled by others, but I can't  
13 get over the fact that this deal is too  
14 rich."

15 So what was settled by others?  
16 What is the main question that she's  
17 referring to?

18 MS. DALE: Objection.

19 A. I don't know.

20 Q. But you respond, "This and the  
21 PREPA deal, both in my view."

22 You're responding to the one that  
23 says, "Deal is too rich. The only  
24 justification on this one in my view is  
25 that there is a real chance COFINA would

1 D. Skeel - Professional Eyes Only  
2 rights under that provision are limited?  
3 That the board, for example, cannot just  
4 say we decided this doesn't make sense,  
5 we're walking. It doesn't provide for a  
6 complete walkaway right, correct?

7 A. Once the RSA is formally  
8 approved.

9 Q. Yes, correct. I'm sorry. I'm  
10 assuming the RSA is approved. Under that  
11 regime, once that it's approved, the board  
12 cannot just decide we don't like this deal  
13 anymore?

14 A. That's correct.

15 Q. Okay. Has the board ever  
16 attempted to get a full fiduciary out?

17 Do you understand what I mean by  
18 a full fiduciary out?

19 A. I know what a -- I know what a  
20 fiduciary out is, yes.

21 Q. Okay. And so a full, meaning one  
22 that allows the board to terminate the  
23 transaction for whatever reason it deems  
24 appropriate, has the board ever sought that  
25 type of termination right?

1 D. Skeel - Professional Eyes Only

2 A. That's not what a fiduciary out  
3 is. A fiduciary duty out is an out where  
4 it would breach your duty to continue to  
5 form an agreement.

6 Q. Okay. So has the board ever  
7 attempted to get the out that you just  
8 described?

9 A. We have talked about those kinds  
10 of issues, yes.

11 Q. We've talked about that  
12 internally, or did we make that a request  
13 to the bondholders?

14 A. I'm not sure specifically what  
15 was requested of the bondholders, but the  
16 issue of what causes the agreement to  
17 terminate was much discussed.

18 MR. DESPINS: Okay. Tab C.  
19 BY MR. DESPINS:

20 Q. So did you ever get a fiduciary  
21 out in the document?

22 A. We have a parallel to a fiduciary  
23 out, which is that if the plan is not  
24 confirmed, if a reorganization plan or a  
25 plan of adjustment based on the RSA is not

1 D. Skeel - Professional Eyes Only  
2 confirmed, I believe it's after two  
3 attempts, that's a basis for getting out of  
4 the RSA.

5 Q. Getting out without any financial  
6 consequences or?

7 A. I don't remember what the, what  
8 the effect is.

9 (Skeel Exhibit 18, Email chain  
10 beginning with email dated 1/28/19 from  
11 Shannahan to Gana, Bates-stamped  
12 ASSURED-PREPA-9019- MOTION\_00034736  
13 through 34737, marked for  
14 identification, as of this date.)

15 MR. DESPINS: I'll just describe,  
16 this is Exhibit 18, Assured-PREPA  
17 Document 34736 and 34737, an email from  
18 Andrew Shannahan to Jorge Gana at  
19 Assured.

20 MS. DALE: He doesn't have the  
21 document.

22 (Discussion off the record.)

23 BY MR. DESPINS:

24 Q. I'm not going to ask a question.  
25 Just read it.

1 D. Skeel - Professional Eyes Only

2 A. Should I read it?  
3 (Document review.)

4 A. Okay.

5 Q. So on top there, they're talking  
6 about fiduciary out, right? "Ability to  
7 walk away from the deal if it no longer  
8 fits the government's privatization plan  
9 and bondholders don't get the benefit of  
10 the 2019 lien validation."

11 This is now Mr. Shannahan  
12 speaking, "As I said, complete nonstarter."

13 That's to be expected from his  
14 perspective.

15 Then it says, "Not the FOMB's  
16 position and likely more Nancy trying to  
17 create litigation."

18 So the bondholders seemed under  
19 the impression that we're not asking for  
20 that fiduciary out.

21 Does that jive with your  
22 recollection?

23 MS. DALE: Objection to the form.

24 A. I don't specifically remember the  
25 discussion of this.

D. Skeel - Professional Eyes Only

Q. Okay. Let's talk about the stipulated treatment provision. You mentioned that a few minutes ago.

What happens during -- if that provision is triggered to the payments received by the bondholders, for example?

A. I assume they keep them as part of a stipulated treatment. So the payments received up to that point.

Q. Why do you assume that?

A. Because I don't have the document in front of me to, to give myself complete confidence of that answer.

Q. But why would you assume the opposite?

A. Because the stipulated treatment gives them 73 -- I think it's 73.25 percent, and I assume or -- yeah, I assume that that also includes they would keep the payments they received up to that point.

Q. Did the board ever ask for clawback rights? You understand what I mean in this context by clawback rights? We're not talking about the clawback bonds

D. Skeel - Professional Eyes Only

now, we're talking about --

A. I'll try to be very careful how we talk about clawbacks because it means so many things.

Q. Actually, it doesn't mean clawback anyway, but that is a different topic.

So in this context, when we're focusing on the payments received by the bondholders, did the Oversight Board request that the payments be subject to disgorgement or a clawback?

MS. DALE: Objection to the form.

A. I just don't remember if that was a subject of conversation.

Q. Do you derive any comfort from the fact that if they keep the payment, they are applied against their claims, the payments are applied against their claims? Do you derive any comfort from that provision?

A. I just don't remember. I mean, I would need to work through the provision.

Q. Okay. So switching topics now,

D. Skeel - Professional Eyes Only  
you're familiar with the concept of a breakup fee?

A. Yes, I am.

Q. In the mergers and acquisitions context?

A. Yes, I am.

Q. And --

A. I've written about them.

Q. Okay. And the board here, in pleadings filed with the court, has analyzed, as described, if you will, the payments that the bondholders get to keep as a breakup fee.

So my first question to you is, is that the way the board perceived these payments when it approved the RSA?

A. That's not the way I think of them. I think breakup fee would be a very loose description.

Q. Typically a breakup fee would be -- what would be the range from a percentage point of view of a breakup fee?

MS. DALE: Objection. Calls for speculation. Out of context.

D. Skeel - Professional Eyes Only  
BY MR. DESPINS:

Q. You've written articles about this, so...

A. I can tell you what it is in Delaware. In Delaware, it's 3 or 4 percent of the deal price.

Q. Thank you. Okay.

A. Not in bankruptcy.

Q. Okay. You think it's higher or lower in bankruptcy?

MS. DALE: Objection.

A. I don't know.

Q. Okay. But in the event -- were you ever provided with comps for what a breakup fee would be in a bankruptcy case before you approved the RSA?

A. I don't recall being given comps.

Q. Comps for a breakup fee?

A. Comps for a breakup fee.

Q. Okay. What's your understanding of the effect of the RSA on the solar power industry in Puerto Rico?

A. It's hard to answer that question. What do you mean what the effect



1 D. Skeel - Professional Eyes Only  
2 is?

3 Q. Have you heard any complaints by  
4 solar power industry representatives about  
5 the effect of the RSA on their business?

6 A. We may have. We've gotten  
7 communications from people in the  
8 renewables space, so we may have heard  
9 criticisms. I don't remember specifically.

10 Q. Well, do you understand the  
11 nature of their criticism of the RSA?

12 A. I don't remember.

13 Q. Okay.

14 MR. DESPINS: Tab 49.

15 (Skeel Exhibit 19, Email dated  
16 101/119 from Reorg Alert to Zwillinger,  
17 not Bates-stamped, marked for  
18 identification, as of this date.)

19 (Document review.)

20 BY MR. DESPINS:

21 Q. Just you feel free to read the  
22 entire thing, but I'm going to ask you  
23 about what's starting with the last  
24 sentence of page 1 of this document and the  
25 carryover paragraph and the paragraph after

1 D. Skeel - Professional Eyes Only  
2 that, but I don't want to limit your  
3 review. I just think we can save some time  
4 if you focus on this.

5 A. Okay. I'll read a little bit in  
6 each direction.

7 Q. Okay. So while you're doing  
8 that, this is not Bates-stamped, but it's a  
9 reorg research article dated October 1st,  
10 2019.

11 (Document review.)

12 A. Okay.

13 Q. There is a reference in there, it  
14 seems to be a quote so -- it says, "Marrero  
15 indicated that the PREPA Restructuring  
16 Support Agreement is among debt  
17 restructuring proposals that are being  
18 looked at, at least in part, in the context  
19 of the filing of the Commonwealth plan."

20 Is this news to you?

21 A. News in what sense?

22 MS. DALE: Objection to form.

23 BY MR. DESPINS:

24 Q. Well, it seems that the  
25 government and AAFAF have signed the RSA,

1 D. Skeel - Professional Eyes Only  
2 the permanent RSA on May 3rd, 2019, and the  
3 amendment, I assume they've also signed the  
4 amendment that was done in September.

5 So I'm reading this and I'm  
6 wondering what is he talking about? I  
7 mean, what is the government doing?

8 MS. DALE: Objection to the form.

9 Do you have any idea what he's  
10 talking about?

11 MR. DESPINS: I don't.

12 A. I don't. He just seems to be  
13 saying that now that the Commonwealth plan  
14 has been filed, they needed to kind of look  
15 at the big picture and look at all of the  
16 other agreements that are underway.

17 Q. But then the next sentence, you  
18 know, or a little further down says,  
19 "Obviously there are some transactions  
20 where we have to look at the details to see  
21 whether they have to be revisited, improved  
22 or reconsidered in light of the  
23 circumstance, and that's what we're doing,  
24 Marrero said.

25 "That's exactly why, for example,

1 D. Skeel - Professional Eyes Only  
2 we have decided to extend the PREPA RSA  
3 twice, already to just have the time, for  
4 further analysis added Marrero, who  
5 indicated the analysis has centered on what  
6 terms and conditions might need to be  
7 revisited and which creditors should be  
8 consulted."

9 So my question to you is, is the  
10 government on board with the RSA or not?

11 MS. DALE: Object to the form.

12 A. I believe they are. I mean, he  
13 goes on to say he doesn't know which  
14 restructuring deal, PREPA or the  
15 Commonwealth's, he thinks will get done  
16 first, but said AAFAF is equally committed  
17 to all deals.

18 Q. Okay. So you are not aware of  
19 any renegotiations or reconsideration by  
20 the government of the RSA as you sit here  
21 today?

22 A. I am not.

23 Q. Okay.

24 MR. DESPINS: We'll take, if  
25 that's okay with your counsel, a